

Summary of potential I-976 impact

If the initiative were enacted, enforced, and feasible to implement, the fiscal impact to Sound Transit would be approximately \$20 billion through the 2041 planned completion of voter-approved projects. The initiative greatly reduces available resources for transit expansions and seeks to require the agency to collect and divert taxes from completing voter-approved projects to retire debt early. To absorb the financial impact (see below discussion), the Sound Transit Board of Directors would need to start as early as 2020 to curtail the program by delaying and/or cancelling projects.

Project delays would cause taxpayers to face much higher costs extending significantly beyond 2041. As a point of reference, if all ST3 voter-approved projects including future Sounder expansions and light rail extensions to Everett, Tacoma, West Seattle, Ballard, South Kirkland and Issaquah were delayed by five years, inflation and increased interest costs would boost the total cost to taxpayers by a forecasted \$26.54 billion. To pay these costs, the Sound Transit Board would have to delay the roll back of taxes by more than a decade, which would extend the full tax collection period to beyond 2060.

Q&A

How does the potential \$20 billion loss of financial capacity through 2041 break down?

The potential impact would include:

- Elimination of a projected \$6.95 billion in MVET revenues between 2021 and 2041, the currently scheduled year for completing ST3.
- Sound Transit's financial capacity would be further reduced by \$13.05 billion through 2041 through higher interest costs, both as a result of a higher amount of borrowing as well as higher interest rates triggered by a lower credit rating associated with reduced revenues and compromised investor confidence.

How would project delays potentially increase taxpayer costs?

- Projects with significant delays would face significantly greater costs through inflation and additional borrowing costs. If the agency absorbed the financial loss by delaying all ST3 voter-approved projects by five years, inflation alone would increase project costs by \$5.5 billion. An increase in interest payments by \$21.04 billion would also be required to fully fund the delayed capital program.
- The reduced credit rating that Sound Transit would face following its significant loss of revenues and the perceived financial uncertainty would also increase borrowing costs on bonds at the same time the agency would need to sell more bonds to complete projects.

How would the initiative potentially affect the timing of rolling back taxes?

- After completing the voter-approved projects and repayment of debt, the Sound Transit Board is required to roll back taxes to the level necessary to cover operation and maintenance of the regional transit system. It is currently expected to be feasible to roll back the entire tax increase that voters approved in 2016 by calendar year 2050. Delaying the projects would delay the date of the tax roll back when the Sound Transit Board can finally roll back taxes to beyond 2060 in order to pay the cost to retire the existing debt early, fund the delayed capital program, and pay back the additional and more costly debt incurred due to the revenue loss and project delay.